

02 May 2024

Banking

Mar 2024 Statistics: Raya Factor Inbound

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OVERWEIGHT



Mar 2024 system loans increased by 6.0%, within our 5.5%-6.0% expectation for CY24, continued to be dominated by households although we are seeing business books gradually picking up on better economic prospects. Industry GIL improved further to 1.62%, being at the lower range of historical averages of 1.6%-1.8%. Deposits growth was moderate (+5.0%) as depositors awaited better rates in 2H. We anticipate OPR to remain at 3.00% throughout CY24, with any change likely to have a downside bias. We maintain our OVERWEIGHT call on the sector, with its resilience to be emboldened by better economic prospects fuelled by infrastructure projects and investments. For 2QCY24, we pick: (i) PBBANK (OP; TP: RM5.10) for sustainable performances from its mortgage books, (ii) RHBBANK (OP; TP: RM7.25) for its leading dividend prospects, and (iii) ABMB (OP; TP: RM4.30) as a small cap favourite given its largely comparable fundamentals which beats certain large caps.

Bigger load up. In Mar 2024, system loans grew by 6.0% YoY which is within our projected 5.5%-6.0% target for CY24. Households (+6.3%) led with higher mortgages while we also noted a rise in non-residential property accounts to fuel commercial use. Business loans also picked up (+5.6%) with financial service industries showing the strongest improvement. On a MoM basis, business loans (+0.9%) came in better than households (+0.5%) with working capital needs also rising, with demand likely spurred by Raya festivities. (refer to Tables 1-3 for breakdown of system loans).

Applications swing seasonally. From a higher base in Mar 2023, Mar 2024 applications came off (-13%) from both household (-11%) and business (-15%) YoY. That said, there was an influx of new MoM applications from consumers (+25%) and businesses (+14%) following Feb 2024's cooling off amidst Chinese New Year celebrations, whereas more loans may be sought to support Hari Raya spending. (refer to Tables 4-5 for breakdown of system loan applications).

GIL narrows further. Industry GIL eased to 1.62% (Feb 2024: 1.64%, Mar 2023: 1.74%) with industry loan loss coverage being progressively utilised at 92.1% (Feb 2024: 92.4%, Mar 2023: 95.9%). The better health of assets could be tied to improved repayment abilities as economic activities return, with excess provisions by the banks likely to be written back overtime. From our channel checks, we note that certain banks have already written back all of its pandemic-related overlays. (refer to Tables 6-7 for breakdown of system impaired loans).

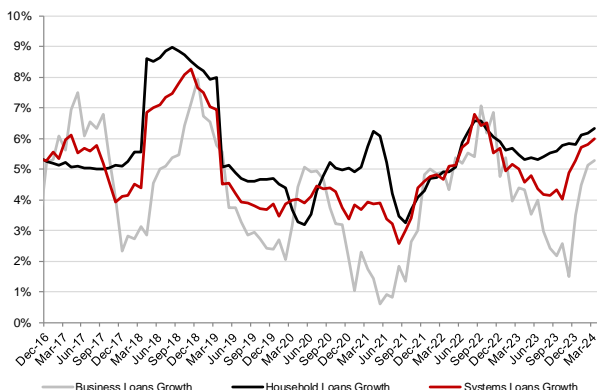
Demand for cash sustained. Mar 2024 system deposits grew 5.0% YoY (+0.82% MoM) which is below our 5.5%-6.0% growth expectations for CY24 for now. We reckon as banks are progressively repricing down their fixed deposit offerings, depositors may hold back in committing to longer term deposits which may see a spike in the latter half of CY24 as the banks are seasonally more competitive then. Meanwhile, CASA ratio at present moment is fairly stable at 28.6% (Feb 2024: 28.7%, Mar 2023: 28.1%).

Maintain OVERWEIGHT on the banking sector. Market tailwinds (i.e. persistent loans growth and GDP, better margin retention) are expected to continue outweighing industry headwinds (i.e. inflationary pressures, weaker MYR), which we believe may lead to fewer tests to the sector's resiliency. The sector should be of interest with dividend yields still appearing attractive (6%-7%) on most names on top of lower embedded sector volatility as compared to other industries. We had seen meaningful moves in share prices with the inflow of foreign investors looking to accumulate sector heavyweights.

Our sector top picks for 2QCY24 include **PBBANK** which could see better leverage on its heavy retail mortgage mix in a stable OPR environment. We also see its possible overlay write-backs to be a catalyst for more generous dividend payouts which may mirror more frequent payouts during the year. **RHBBANK** is also favoured for its dividends which we project to be the leader (7%-8%) amongst its peers. Meanwhile, its associate Boost Bank may soon enter the public domain which could garner greater interest in the near-term. As for small cap banks, **ABMB** remains our favourite for its solid fundamentals which are comparable to its large cap peers. Additionally, its leading CASA level may provide the group nimbleness to balance its interest margins with market share acquisition strategies.

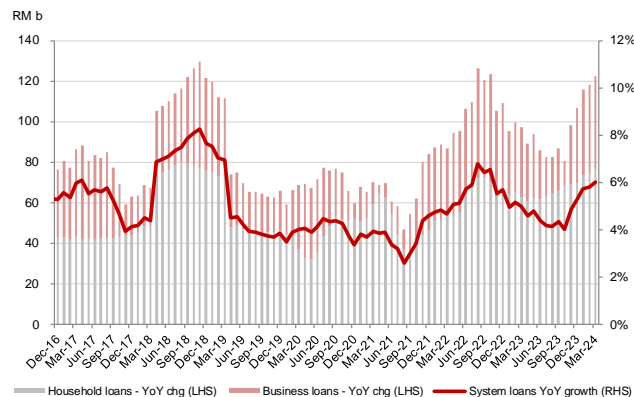
Appendix

Fig 1: System Loan Growth



Source: BNM, Kenanga

Fig 2: System Loan Growth Drivers



Source: BNM, Kenanga

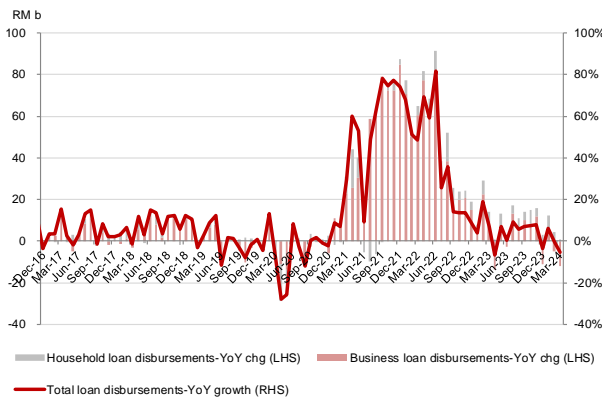
Table 1: Breakdown of System Loans

RM m	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	MoM Growth (%)	YoY Growth (%)
Purchase of securities	80,915	81,716	80,058	79,165	78,373	-1.0%	-10.7%
Purchase of transport vehicles	209,568	210,976	213,587	215,026	216,761	0.8%	10.1%
Purchase of residential property	785,981	790,631	796,125	799,980	804,503	0.6%	7.4%
Purchase of non-residential property	250,498	251,653	252,371	252,982	256,116	1.2%	5.6%
Personal use	113,512	114,200	114,665	114,940	115,196	0.2%	6.0%
Credit card	44,507	45,779	46,141	45,634	45,501	-0.3%	10.5%
Construction	59,835	59,601	61,042	60,417	60,905	0.8%	5.5%
Working capital	467,184	477,971	473,005	479,556	483,171	0.8%	4.9%
Others	96,625	98,967	99,942	98,835	99,647	0.8%	6.5%
Total system loans	2,108,625	2,131,494	2,136,935	2,146,534	2,160,172	0.6%	6.0%
- Household loans	1,257,694	1,265,330	1,272,621	1,276,235	1,282,019	0.5%	6.3%
- Business loans	850,930	866,164	864,315	870,298	878,153	0.9%	5.6%
o Primary agriculture	34,799	35,056	35,369	35,266	35,501	0.7%	-4.0%
o Mining & quarrying	9,582	10,055	10,004	10,267	9,879	-3.8%	5.1%
o Manufacturing	132,145	131,180	131,265	131,775	131,848	0.1%	3.0%
o Wholesale & retail trade, restaurants and hotels	170,367	172,094	173,397	176,138	177,736	0.9%	9.3%
o Construction	101,260	102,589	102,253	103,174	103,755	0.6%	0.3%
o Real estate	111,744	112,314	112,890	112,033	113,300	1.1%	4.6%
o Transport, storage and communication	54,119	54,268	52,681	53,984	55,381	2.6%	3.5%
o Finance, insurance and business activities	148,696	155,041	155,977	158,553	162,179	2.3%	15.0%
o Others	88,218	93,566	90,479	89,109	88,573	-0.6%	-0.1%

Source: BNM, Kenanga Research

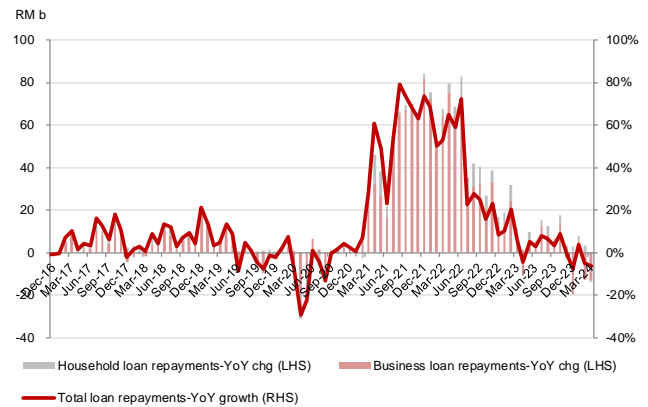
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Fig 3: Loan Disbursement Trends



Source: BNM, Kenanga

Fig 4: Loan Repayment Trends



Source: BNM, Kenanga

Table 2: Breakdown of System Loan Disbursements

RM m	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	MoM Growth	YoY Growth
Purchase of securities	3,134	3,920	4,481	3,258	2,788	-14.5%	-28.9%
Purchase of transport vehicles	6,134	5,822	7,074	5,685	6,290	10.6%	-3.2%
Purchase of residential property	10,631	10,616	11,846	9,868	10,812	9.6%	-1.6%
Purchase of non-residential property	5,554	5,738	5,572	4,710	7,949	68.8%	28.1%
Personal use	4,338	4,746	4,587	4,177	4,447	6.5%	-3.3%
Credit card	20,081	21,856	21,534	19,910	20,728	4.1%	7.7%
Construction	4,070	4,625	4,263	2,792	4,461	59.8%	18.7%
Working capital	151,754	145,420	141,103	123,850	135,775	9.6%	-10.6%
Others	9,583	13,167	10,391	8,628	8,893	3.1%	41.6%
Total loans disbursed	215,280	215,911	210,852	182,878	202,142	10.5%	-5.2%
- Household loans	41,039	42,540	45,912	39,710	42,255	6.4%	2.3%
- Business loans	174,241	173,371	164,940	143,168	159,887	11.7%	-7.1%

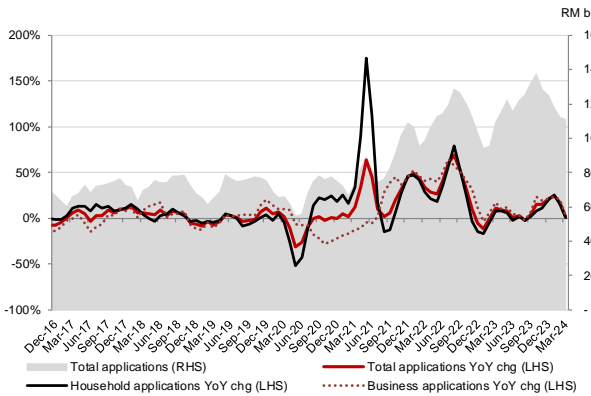
Source: BNM, Kenanga Research

Table 3: Breakdown of System Loan Repayments

RM m	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	MoM Growth	YoY Growth
Purchase of securities	3,150	3,446	6,254	4,543	3,957	-12.9%	-33.9%
Purchase of transport vehicles	4,879	4,969	5,102	4,878	5,130	5.2%	3.2%
Purchase of residential property	8,473	8,496	9,064	8,559	9,049	5.7%	3.7%
Purchase of non-residential property	5,164	5,497	5,779	4,942	5,553	12.4%	10.8%
Personal use	4,389	4,425	4,748	4,395	4,535	3.2%	-3.7%
Credit card	19,808	21,049	21,203	20,417	20,933	2.5%	8.3%
Construction	3,706	4,751	3,330	3,242	4,103	26.6%	1.2%
Working capital	146,096	135,050	146,547	118,097	132,187	11.9%	-9.7%
Others	9,722	10,200	10,951	9,626	8,575	-10.9%	3.6%
Total loans repaid	205,387	197,883	212,977	178,698	194,022	8.6%	-6.4%
- Household loans	37,950	39,296	43,007	40,254	41,024	1.9%	-0.5%
- Business loans	167,437	158,587	169,970	138,443	152,998	10.5%	-7.9%

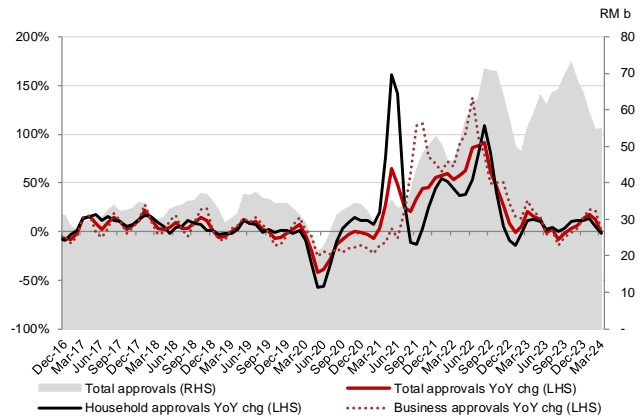
Source: BNM, Kenanga Research

Fig 5: Loan Application Trends (3-month MA)



Source: BNM, Kenanga

Fig 6: Loan Approval Trends (3-month MA)



Source: BNM, Kenanga

Table 4: Breakdown of System Loan Applications

RM m	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	MoM Growth	YoY Growth
Purchase of securities	3,546	4,975	5,097	2,334	2,675	15%	-25%
Purchase of transport vehicles	15,044	14,739	17,368	13,473	15,908	18%	-4%
Purchase of residential property	35,176	34,380	37,500	28,450	38,067	34%	-16%
Purchase of non-residential property	13,370	10,309	13,548	11,683	14,068	20%	-3%
Personal use	7,860	17,781	8,224	7,119	8,433	18%	9%
Credit card	4,029	3,679	3,930	3,192	3,896	22%	-22%
Construction	4,814	4,216	5,881	5,267	4,667	-11%	-37%
Working capital	24,891	20,864	22,487	18,283	20,834	14%	-27%
Others	4,573	9,268	4,725	7,487	8,799	18%	55%
Total system loan applications	113,302	120,211	118,760	97,288	117,347	21%	-13%
- Household loans	65,603	73,304	71,175	55,175	69,214	25%	-11%
- Business loans	47,699	46,907	47,585	42,113	48,133	14%	-15%

Source: BNM, Kenanga Research

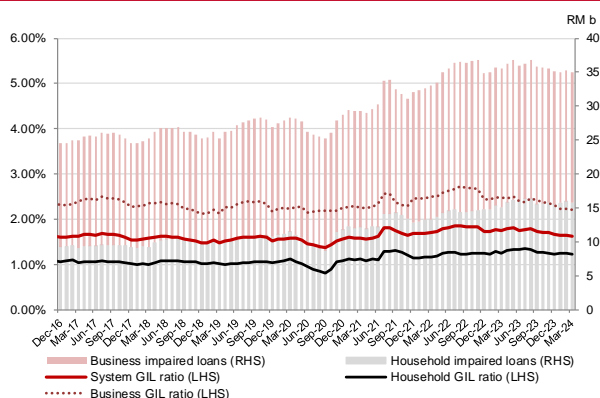
Table 5: Breakdown of System Loan Approvals

RM m	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	MoM Growth	YoY Growth
Purchase of securities	2,520	2,840	3,901	1,381	1,459	6%	-23%
Purchase of transport vehicles	9,899	9,688	11,250	8,328	9,721	17%	-15%
Purchase of residential property	14,529	12,573	14,352	11,595	15,386	33%	-21%
Purchase of non-residential property	6,029	5,191	6,044	5,836	6,793	16%	2%
Personal use	2,929	2,166	2,755	2,464	2,805	14%	1%
Credit card	1,068	819	1,655	1,311	1,596	22%	-12%
Construction	3,379	2,788	4,098	2,375	3,016	27%	-48%
Working capital	13,424	17,594	12,823	9,031	15,093	67%	-4%
Others	4,127	6,359	2,312	1,954	5,145	163%	66%
Total system loan approvals	57,903	60,017	59,191	44,275	61,014	38%	-11%
- Household loans	28,582	25,232	30,573	24,338	30,184	24%	-16%
- Business loans	29,321	34,785	28,618	19,937	30,830	55%	-6%

Source: BNM, Kenanga Research

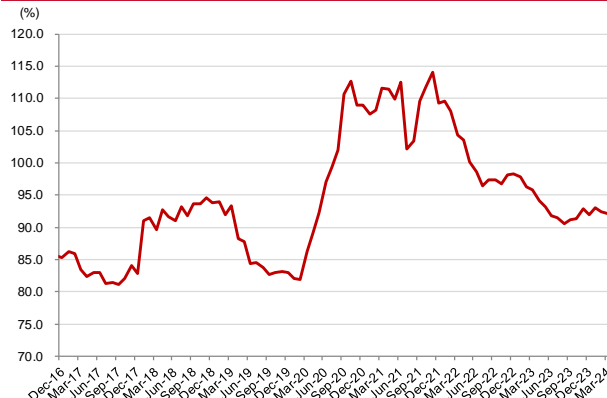
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Fig 7: GIL Trends



Source: BNM, Kenanga

Fig 8: Loan Loss Coverage



Source: BNM, Kenanga

Table 6: Breakdown of System Impaired Loans and GIL Ratio by Purpose

RM m	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	MoM Growth	YoY Growth
Purchase of securities	322	280	407	375	356	-5%	26%
Purchase of transport vehicles	1,082	1,067	1,104	1,126	1,114	-1%	-6%
Purchase of residential property	10,603	10,549	10,608	10,785	10,624	-1%	2%
Purchase of non-residential property	4,268	4,097	4,133	4,167	4,191	1%	-1%
Personal use	3,139	3,061	3,044	3,122	3,107	-1%	9%
Credit card	499	451	446	417	411	-2%	-1%
Construction	2,298	2,426	2,439	2,439	2,408	-1%	-9%
Working capital	11,549	11,452	10,677	10,693	10,988	3%	-6%
Others	1,788	1,775	2,113	2,120	1,787	-16%	-4%
Total system impaired loans	35,547	35,158	34,972	35,245	34,986	-1%	-2%
- Household impaired loans	15,727	15,526	15,711	15,974	15,755	-1%	5%
- Business impaired loan	19,820	19,632	19,261	19,270	19,231	0%	-6%
GIL ratio							
Purchase of securities	0.40%	0.34%	0.51%	0.47%	0.45%		
Purchase of transport vehicles	0.52%	0.51%	0.52%	0.52%	0.51%		
Purchase of residential property	1.35%	1.33%	1.33%	1.35%	1.32%		
Purchase of non-residential property	1.70%	1.63%	1.64%	1.65%	1.64%		
Personal use	2.77%	2.68%	2.65%	2.72%	2.70%		
Credit card	1.12%	0.99%	0.97%	0.91%	0.90%		
Construction	3.84%	4.07%	4.00%	4.04%	3.95%		
Working capital	2.47%	2.40%	2.26%	2.23%	2.27%		
Others	1.85%	1.79%	2.11%	2.15%	1.79%		
System	1.69%	1.65%	1.64%	1.64%	1.62%		
- Household	1.26%	1.23%	1.24%	1.26%	1.23%		
- Business	2.35%	2.31%	2.22%	2.23%	2.21%		

Source: BNM, Kenanga Research

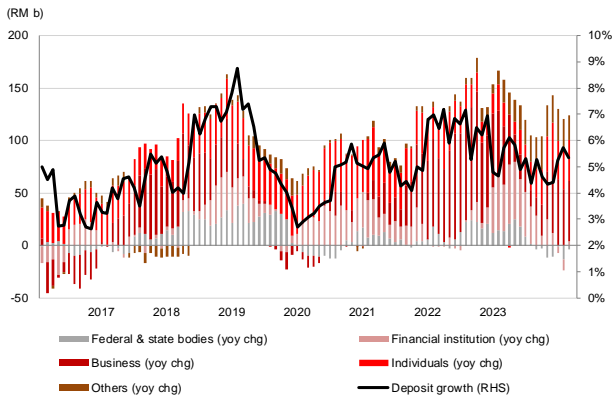
Table 7: Breakdown of System Impaired Loans and GIL Ratio by Sector

RM m	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	MoM Growth	YoY Growth
Households	15,727	15,526	15,711	15,974	15,755	-1%	5%
Primary agriculture	672	662	185	188	186	-1%	-87%
Mining & quarrying	1,380	1,368	1,372	1,361	1,365	0%	-1%
Manufacturing	2,658	2,587	2,560	2,600	2,583	-1%	-17%
Wholesale & retail trade, restaurants, and hotels	4,015	4,043	4,131	4,267	4,172	-2%	31%
Construction	4,878	4,693	4,715	4,803	4,855	1%	-7%
Transport, storage and communication	1,051	1,124	1,135	965	987	2%	18%
Finance, insurance, and business activities	4,267	4,248	4,227	4,150	4,212	1%	-4%
Others	899	907	935	935	871	-7%	-11%
Total system impaired loans	35,547	35,158	34,972	35,245	34,986	-1%	-2%
GIL ratio							
Households	1.26%	1.23%	1.24%	1.26%	1.23%		
Primary agriculture	1.90%	1.90%	0.53%	0.53%	0.53%		
Mining & quarrying	14.42%	14.27%	13.65%	13.60%	13.30%		
Manufacturing	2.02%	1.96%	1.95%	1.98%	1.96%		
Wholesale & retail trade, restaurants and hotels	2.37%	2.37%	2.40%	2.46%	2.37%		
Construction	2.29%	2.20%	2.19%	2.23%	2.26%		
Transport, storage, and communication	2.04%	2.08%	2.09%	1.83%	1.83%		
Finance, insurance, and business activities	2.93%	2.86%	2.73%	2.66%	2.66%		
Others	1.03%	1.03%	1.00%	1.03%	0.98%		
Total system impaired loans	1.69%	1.65%	1.64%	1.64%	1.62%		

Source: BNM, Kenanga Research

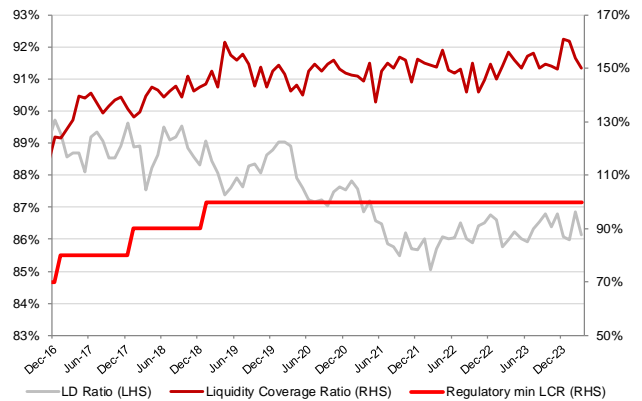
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Fig 9: Deposit Growth and Drivers



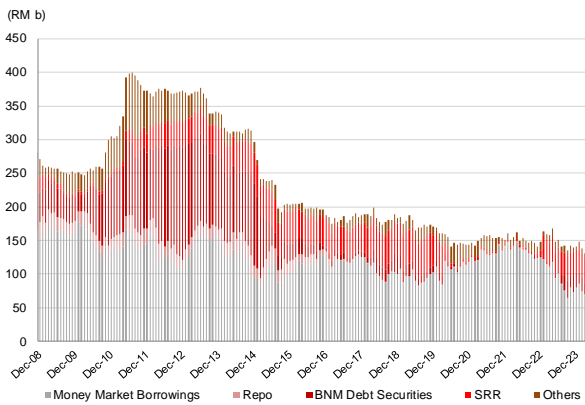
Source: BNM, Kenanga

Fig 10: LDR and LCR Trends



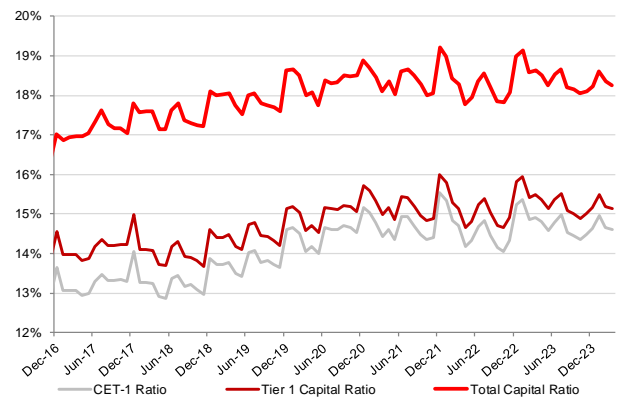
Source: BNM, Kenanga

Fig 11: Liquidity



Source: BNM, Kenanga

Fig 12: Capital Ratio Trends



Source: BNM, Kenanga

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
AFFIN BANK BHD	UP	2.50	1.80	-28.0%	5,866	N	12/2024	21.2	27.8	21.4%	31.6%	11.8	9.0	0.5	4.3%	8.0	3.2%
ALLIANCE BANK MALAYSIA BHD	OP	3.69	4.30	16.5%	5,713	N	03/2024	45.5	50.9	4.0%	11.8%	8.1	7.2	0.8	10.2%	24.5	6.6%
AMMB HOLDINGS BHD	OP	4.19	4.80	14.6%	13,856	N	03/2024	43.6	51.1	-16.9%	17.3%	9.6	8.2	0.7	9.4%	19.0	4.5%
BANK ISLAM MALAYSIA BHD	UP	2.51	2.25	-10.4%	5,689	Y	12/2024	25.6	29.3	5.1%	14.1%	9.8	8.6	0.7	7.8%	17.0	6.8%
CIMB GROUP HOLDINGS BHD	MP	6.64	6.60	-0.6%	70,816	N	12/2024	67.1	69.8	2.6%	3.9%	9.9	9.5	1.0	10.3%	44.0	6.6%
HONG LEONG BANK BHD	OP	19.38	24.20	24.9%	42,010	N	06/2024	196.0	213.1	5.2%	8.7%	9.9	9.1	1.1	11.3%	60.0	3.1%
MALAYAN BANKING BHD	OP	9.69	11.00	13.5%	116,929	N	12/2024	80.7	82.9	4.1%	2.8%	12.0	11.7	1.2	10.2%	62.0	6.4%
MALAYSIA BUILDING SOCIETY	UP	0.800	0.590	-26.3%	6,578	Y	12/2024	3.4	6.3	79.3%	82.1%	23.3	12.8	0.6	2.5%	2.0	2.5%
PUBLIC BANK BHD	OP	4.22	5.10	20.9%	81,913	N	12/2024	37.8	39.6	10.3%	4.8%	11.2	10.7	1.4	13.0%	21.0	5.0%
RHB BANK BHD	OP	5.67	7.25	27.9%	24,304	N	12/2024	72.8	76.4	11.5%	4.8%	7.8	7.4	0.8	9.9%	44.0	7.8%
SECTOR AGGREGATE					373,673					5.2%	6.2%	10.7	10.1	1.1	10.0%		5.3%

Source: Kenanga Research

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OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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